

DEPARTMENT OF REVENUE

FINANCIAL SUMMARY

	FY 2007 EXPENDITURE	FY 2008 APPROPRIATION	FY 2009 REQUEST	GOVERNOR RECOMMENDS FY 2009
Customer Services Division	\$ 22,387,709	\$ 18,345,573	\$ 30,581,379	\$ 18,681,504
Legal Services Division	2,381,992	2,303,992	2,453,992	2,519,090
Fiscal Services Division	12,269,093	23,746,992	23,935,130	24,243,693
Highway Collections	23,863,632	25,645,077	25,769,301	26,241,775
Facility Services	97,846	0	0	0
State Tax Commission	2,788,140	2,969,578	3,027,578	3,055,885
Distributions	231,201,280	226,599,011	229,082,840	227,359,151
State Lottery Commission	146,005,169	138,931,514	140,401,014	140,615,436
DEPARTMENTAL TOTAL	\$ 440,994,861	\$ 438,541,737 *	\$ 455,251,234	\$ 442,716,534
General Revenue Fund	87,807,232	88,418,233	103,577,584	90,574,186
Federal Funds	3,577,818	6,411,958	6,411,958	6,419,221
Child Support Enforcement Collection Fund	2,058,052	2,623,503	2,623,503	2,624,213
Health Initiatives Fund	49,773	57,267	57,468	58,904
Division of Aging Elderly Home				
Delivered Meals Trust Fund	11,145	12,216	12,216	12,582
Petroleum Storage Tank Insurance Fund	36,955	26,881	26,881	27,654
Motor Vehicle Commission Fund	804,044	1,130,607	1,132,291	1,153,563
Conservation Commission Fund	516,636	541,350	541,400	557,113
Department of Revenue Information Fund	699,391	785,954	793,619	802,064
State Highways and Transportation				
Department Fund	10,434,410	11,562,562	11,633,608	11,830,895
Lottery Enterprise Fund	146,103,015	138,931,514	140,401,014	140,615,436
Petroleum Inspection Fund	30,262	34,550	34,550	35,497
Motor Fuel Tax Fund	188,863,668	188,000,000	188,000,000	188,000,000
Department of Revenue Specialty Plate Fund	2,460	5,142	5,142	5,206
Full-time equivalent employees	1,532.71	1,628.96	1,582.96	1,582.96

* Does not include \$1,554,011 recommended in the Fiscal Year 2008 Supplemental Appropriations. See the Supplemental section of the Missouri Budget for details regarding the Department of Revenue supplemental appropriations.

DEPARTMENT SUMMARY

Governor Blunt's Fiscal Year 2009 provides a total of \$442.7 million for the Department of Revenue. The department serves as the primary revenue collection agency for the State of Missouri. It strives to ensure that all taxes and fees owed to the state are paid, taxpayers are served conscientiously and efficiently, and revenues are collected at minimal administrative expense. The core functions provided by the Department of Revenue include:

- Preparing tax forms.
- Processing tax forms, returns, associated payments, and refunds.
- Titling and registering motor vehicles, boats and trailers.
- Licensing drivers.
- Investigating instances of suspected tax or fee avoidance.

DEPARTMENT OF REVENUE

CUSTOMER SERVICES DIVISION

The Customer Services Division serves Missouri citizens by providing taxation, motor vehicle, and licensing services. The Taxation Bureau is responsible for administering and enforcing taxation and collection regulations. Its collection activities include account management, lien filing, third-party collection referrals, tax clearances, and debt offsets. The bureau has eight in-state field offices (St. Louis, Kansas City, Springfield, Jefferson City, Joplin, St. Joseph, Columbia, and Cape Girardeau) that handle taxpayer assistance inquiries. Tax auditors are stationed in these offices and four out-of-state offices (Chicago, Dallas, Los Angeles, and New York) to foster compliance with Missouri tax laws. The Motor Vehicle Bureau is responsible for administering and enforcing vehicle registration and titling regulations. It titles and registers motor vehicles and watercraft, licenses motor vehicle dealers and boat dealers, and collects state and local sales/use tax and other vehicle fees. The Driver License Bureau is responsible for administering and enforcing driver license regulations and financial responsibility programs. The Customer Assistance Bureau oversees 184 contract license offices that provide driver licensing and motor vehicle titling and registration services to Missourians.

Fiscal Year 2009 Governor's Recommendations

- \$448,431 for pay plan, including \$406,911 general revenue.
- (\$112,500) reallocated to the legal services division.
- (17) staff core reduction from the Fiscal Year 2008 appropriation level.

LEGAL SERVICES DIVISION

The General Counsel's Office advises the director on legal matters and represents the director in legal proceedings. The Governmental Affairs Bureau develops and tracks the department's legislation and estimates the fiscal impact of legislation that relates to the department. The Criminal Investigation Bureau investigates suspected tax, motor vehicle, dealer, and driver license fraud, and prepares cases for prosecution. Human Resource Services and Development is responsible for recruitment, training, employee relations' services, and payroll processing.

Fiscal Year 2009 Governor's Recommendations

- \$65,098 for pay plan, including \$51,817 general revenue.
- \$150,000 reallocated from various divisions.

FISCAL SERVICES DIVISION

The Director of Revenue's office supervises all operations of the department. The Financial and General Services Bureau provides accounting, procurement, cash management, stores, receiving, mail operations, warehousing, archival, delivery, motor pool, and facility services to the department. The Internal Compliance Bureau reviews and evaluates the department's accounting controls and appraises the effectiveness and efficiency of the use of department resources. Field Compliance Bureau auditors are stationed in eight in-state offices and four out-of-state offices (in the same locations as the Customer Services Division) to foster compliance with Missouri tax laws.

Fiscal Year 2009 Governor's Recommendations

- \$225,638 for costs due to increased postage rates, including \$216,038 general revenue.
- \$308,563 for pay plan, including \$303,034 general revenue.
- (\$37,500) reallocated to the legal services division.
- (Nine) staff core reduction from the Fiscal Year 2008 appropriation level.

DEPARTMENT OF REVENUE

HIGHWAY COLLECTIONS

Article IV, Sections 30(a), 30(b), and 30(c), Constitution of Missouri, requires that all revenues from the existing motor vehicle fuel tax, vehicle taxes and fees paid by highway users (less collection costs) be used only for state and local highways, roads and bridges, and for constructing and maintaining the state highway system. These collection costs are not to exceed three percent of the amount collected. The Department of Revenue is responsible for collecting and remitting these revenues to the State Highways and Transportation Department Fund. Highway Collections functions are distributed between the Customer Services Division and the Fiscal Services Division.

Fiscal Year 2009 Governor's Recommendations

- \$124,224 for costs due to increased postage rates, including \$53,178 general revenue.
- \$472,474 for pay plan, including \$278,528 general revenue.
- (20) staff core reduction from the Fiscal Year 2008 appropriation level.

STATE TAX COMMISSION

The State Tax Commission is a quasi-judicial administrative agency created by the Missouri Constitution to perform six basic functions. These functions are: to equalize inter- and intra-county assessments; conduct de novo judicial hearings regarding valuation and classification appeals from local boards of equalization; formulate and implement statewide assessment policy and procedures to comport with statutory and constitutional mandates; supervise local assessing officials and local assessment programs to ensure compliance with statewide requirements; conduct ratio studies to determine the assessment level in each county and to measure the quality of the assessments; and assess the distributable property of railroads and public utilities.

Fiscal Year 2009 Governor's Recommendations

- \$5,000 for a sales letter questionnaire pilot program.
- \$81,307 for pay plan.

**DEPARTMENT OF REVENUE
DISTRIBUTIONS**

FINANCIAL SUMMARY

	FY 2007 EXPENDITURE	FY 2008 APPROPRIATION	GOVERNOR RECOMMENDS FY 2009
Prosecuting Attorneys and Collection Agencies	\$ 2,716,839	\$ 2,580,000	\$ 2,580,000
County Filing Fees	172,946	200,000	200,000
State Share of Assessment Maintenance Costs	18,499,131	19,020,668	19,275,408
Certification Compensation	75,561	77,112	77,112
Motor Fuel Tax Distribution to Cities and Counties	188,863,668	188,000,000	188,000,000
Emblem Use Fee Distribution	50	1,000	1,000
County Stock Insurance Tax	2,614,600	500,000	500,000
Homestead Preservation Credit	2,952,881	1,085,347	1,085,347
Debt Offset For Tax Credits Transfer	658,452	200,000	200,000
Debt Offset Transfer	12,229,127	11,292,384	11,292,384
Circuit Courts Escrow Transfer	827,655	505,500	505,500
Income Tax Check-Off Refund Designations	438,533	396,000	396,000
General Revenue Reimbursement to State			
Highway and Transportation Fund	1,151,837	0	0
Downtown Revitalization Preservation Transfer	0	0	100,000
State Supplemental Downtown Development Transfer	0	2,741,000	3,146,400
TOTAL	\$ 231,201,280	\$ 226,599,011	\$ 227,359,151
General Revenue Fund	42,337,612	38,599,011	39,359,151
Motor Fuel Tax Fund	188,863,668	188,000,000	188,000,000

PROSECUTING ATTORNEYS AND COLLECTION AGENCY FEES

Section 136.150, RSMo, provides for payment of a collection fee of 20 percent of delinquent taxes, licenses, or fees recovered on behalf of the state by collection agencies or prosecuting attorneys. The collection fee is deposited in the county treasury with one-half of the fee for use by the attorney's office and one-half to be expended as the county determines. This incentive program provides additional resources to counties and a five-to-one benefit/cost ratio to the state.

Section 140.850, RSMo, authorizes the Department of Revenue to use commercial collection agencies to collect delinquent taxes owed by resident and non-resident taxpayers (individuals and businesses). The statutes permit payment of a collection fee not to exceed 25 percent of the amount collected.

Fiscal Year 2009 Governor's Recommendations

Continue funding at the current level.

COUNTY FILING FEES

The Department of Revenue is authorized to file tax liens on property owned by taxpayers that are delinquent in income tax or sales/use tax. County recorders charge the Department of Revenue a fee of \$3.00 for the filing of each tax lien and a fee of \$1.50 for each release of a tax lien filed on property owned by taxpayers that are delinquent in income tax or sales/use tax.

Fiscal Year 2009 Governor's Recommendations

Continue funding at the current level.

STATE SHARE OF ASSESSMENT MAINTENANCE COSTS

The state reimburses a portion of the costs and expenses for maintaining assessments by the county assessors and the St. Louis City assessor.

Fiscal Year 2009 Governor's Recommendations

- \$254,740 for the state share of assessment maintenance costs.

DEPARTMENT OF REVENUE

CERTIFICATION COMPENSATION

The state provides quarterly compensation to assessors, except those in first-class charter counties, who maintain an education certification with the State Tax Commission.

Fiscal Year 2009 Governor's Recommendations

Continue funding at the current level.

MOTOR FUEL TAX DISTRIBUTION TO CITIES AND COUNTIES

Article IV, Section 30(a)(2), Constitution of Missouri, requires 15 percent of the net proceeds from the Motor Fuel Tax collections be allocated to the incorporated cities, towns, and villages of the state to assist in the maintenance of streets and highways.

Article IV, Section 30(a)(1), Constitution of Missouri, requires that 10 percent of the net proceeds from Motor Fuel Tax collections be distributed to the counties to assist in the maintenance of county roads, highways, and bridges. On August 4, 1992, voters approved Constitutional Amendment No. 8 to require that 15 percent of the net proceeds resulting from any increase in the Motor Fuel Tax rate over the rate in effect on March 31, 1992, be distributed to the counties to assist in the maintenance of county roads, highways, and bridges.

Fiscal Year 2009 Governor's Recommendations

Continue funding at the current level.

EMBLEM USE FEE DISTRIBUTION

Pursuant to Section 301.3141, RSMo, a contribution to be used to apply for a specialty license plate may be made directly to the Department of Revenue. The Department of Revenue remits all contributions to the Veterans of Foreign Wars Department of Missouri.

Fiscal Year 2009 Governor's Recommendations

Continue funding at the current level.

COUNTY STOCK INSURANCE

The Department of Revenue uses this appropriation to meet the apportionment requirements for the County Stock Insurance Tax required by Section 148.330, RSMo, while holding school districts and counties harmless to reductions from tax credits.

Fiscal Year 2009 Governor's Recommendations

Continue funding at the current level.

HOMESTEAD PRESERVATION TAX CREDIT

Section 137.106, RSMo, the Homestead Preservation Act, enables qualified senior citizens and disabled persons to obtain a credit against their property taxes for an increase to their taxes that exceeds established thresholds. This appropriation provides funds to be distributed to county governments to offset property taxes of qualified applicants.

Fiscal Year 2009 Governor's Recommendations

Continue funding at the current level.

DEPARTMENT OF REVENUE

DEBT OFFSET FOR TAX CREDITS

SB 1099 (2004) requires that tax credit applicants must apply any award to any delinquent income, sales, use, or insurance taxes. After applying all credits toward any delinquencies, the applicant can be issued any remaining credits. The Department of Revenue uses this appropriation to hold harmless local tax jurisdictions for local sales tax delinquencies.

Fiscal Year 2009 Governor's Recommendations

Continue funding at the current level.

DEBT OFFSET TRANSFER

Chapter 143, RSMo, provides a mechanism to offset debts owed to the state against tax refunds payable to the debtor. The Department of Revenue transfers to the Office of State Treasurer the amount of the debt certified to be owed to a state agency in an amount not exceeding the tax refund claimed. Any amount in excess of the debt is forwarded to the taxpayer. Upon settlement of the claim through the established administrative hearings process, the escrow funds are returned to the state agency and/or the payee.

Fiscal Year 2009 Governor's Recommendations

Continue funding at the current level.

CIRCUIT COURTS ESCROW TRANSFER

Section 143.784, RSMo, provides a mechanism to offset debts owed to the state against tax refunds payable to the debtor. The Department of Revenue transfers to the Circuit Courts any amounts certified to be owed to the state, in an amount not exceeding the tax refund claimed. Upon settlement of the claim, the escrow funds are returned to the state agency.

Fiscal Year 2009 Governor's Recommendations

Continue funding at the current level.

INCOME TAX CHECK-OFF REFUND DESIGNATIONS

State statutes permit individuals and corporations to contribute a portion of any income tax refund that they are owed to seven separate state trust funds or nine separate charitable trust funds. The seven state trust funds include the Children's Trust Fund (Section 210.174, RSMo); the Division of Aging Elderly Home Delivered Meals Trust Fund (Section 660.078, RSMo); the Veterans' Trust Fund (Section 42.140, RSMo); the Missouri National Guard Trust Fund (Section 41.215, RSMo); the Workers Memorial Fund (Section 143.1025, RSMo); the Childhood Lead Testing Fund (Section 143.603, RSMo); and the Missouri Military Family Relief Fund (Section 143.822, RSMo). The nine charitable funds (Section 143.605, RSMo) include the American Cancer Society, Heartland Division, Inc. Fund; the ALS Lou Gehrig's Disease Fund; the American Lung Association of Missouri Fund; the Muscular Dystrophy Association Fund; the Arthritis Foundation Fund; the American Diabetes Association Gateway Area Fund; the American Heart Association Fund; the March of Dimes Fund; and the National Multiple Sclerosis Society Fund. The amounts designated by taxpayers for distribution to the seven trust funds are transferred from the General Revenue Fund.

Fiscal Year 2009 Governor's Recommendations

Continue funding at the current level.

DOWNTOWN REVITALIZATION PRESERVATION TRANSFER

Section 99.1092, RSMo, requires the department to annually transfer the first \$150,000,000 of other net new revenues generated annually by redevelopment projects to the State Supplemental Downtown Development Fund.

Fiscal Year 2009 Governor's Recommendations

- \$100,000 transferred to the Downtown Revitalization Preservation Fund.

DEPARTMENT OF REVENUE

STATE SUPPLEMENTAL DOWNTOWN DEVELOPMENT TRANSFER

Section 99.963, RSMo, requires the department to annually transfer the first \$150,000,000 of other net new revenues generated by development projects to the State Supplemental Downtown Development Fund.

Fiscal Year 2009 Governor's Recommendations

- \$405,400 transferred to the State Supplemental Downtown Development Fund.

STATE LOTTERY COMMISSION

The Missouri State Lottery was established by voter approval of Constitutional Amendment No. 5 on November 6, 1984. On August 2, 1988, voters approved Constitutional Amendment No. 3 to revise the lottery prize structure and certain promotional restrictions.

Fiscal Year 2009 Governor's Recommendations

- \$1,469,500 Lottery Enterprise Fund for costs related to increased sales.
- \$214,422 Lottery Enterprise Fund for pay plan.

	FY 2007 EXPENDITURE	FY 2008 APPROPRIATION	GOVERNOR RECOMMENDS FY 2009
Operating Expense			
Personal Service	\$ 6,671,848	\$ 7,147,512	\$ 7,361,934
Expense and Equipment	30,427,058	29,784,002	31,253,502
Prizes	<u>108,906,263</u>	<u>102,000,000</u>	<u>102,000,000</u>
TOTAL			
Lottery Enterprise Fund	\$ 146,005,169	\$ 138,931,514	\$ 140,615,436

LOTTERY ENTERPRISE FUND TRANSFER

Section 39(b) of Article III of the Missouri Constitution provides that a minimum of 45 percent of moneys received from the sale of lottery tickets shall be paid as prizes. On August 4, 1992, voters approved Constitutional Amendment No. 11 to dedicate net lottery proceeds to fund public institutions of elementary, secondary, and higher education.

Fiscal Year 2009 Governor's Recommendations

- \$23,850,000 Lottery Enterprise Fund to Lottery Proceeds Fund.

	FY 2007 EXPENDITURE	FY 2008 APPROPRIATION	GOVERNOR RECOMMENDS FY 2009
Lottery Enterprise Fund	\$ 259,737,970	\$ 236,150,000	\$ 260,000,000